

Message Text

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ORIGIN EB-08

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FM SECSTATE WASHDC
TO AMEMBASSY BRASILIA
INFO AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

C O N F I D E N T I A L STATE 171787

E.O. 11652: N/A

TAGS: EWWT, BR

SUBJECT: SEA-LAND IN BRAZIL

REF: A) RIO DE JANEIRO 2875 B) BRASILIA 4944

1. DEPARTMENT AND MARAD HAVE NOTED WITH INTEREST "MESSAGE"
PASSED TO AMBASSADOR BY ABUD (REF A). WHETHER ABUD'S
CONCENTRATION ON THE CONTAINER QUESTION AND FAILURE TO
MENTION RESOLUTION 5246 MERELY REPRESENTS AN OVERSIMPLI-
FICATION OF THE PROBLEM OR IS AN OBLIQUE INDICATION THAT
GOB CONSIDERING MORE FLEXIBLE POSITION ON TRANSSHIPMENT
IS KEY QUESTION. IF LATTER IS THE CASE, NEW BRAZILIAN
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FLEXIBILITY SHOULD PROVE HELPFUL TO ONGOING COMMERCIAL
NEGOTIATIONS BETWEEN GOB AND SEA-LAND.

2. REGARDING TWO "ALTERNATIVES" CITED BY PIRES IN PARA 5,
REF B, IT APPEARS TO DEPARTMENT THAT NEITHER ALTERNATIVE
WOULD SATISFACTORILY RESOLVE PROBLEMS IF GOB CONTINUES
TO BAN TRANSSHIPMENT, AND BOTH WOULD BE UNNECESSARY IF GOB

SHOULD DROP THAT BAN. FOLLOWING COMMENTS MAY BE HELPFUL TO EMBASSY.

3. ASSUMING THAT GOB ADHERED TO RESOLUTION 5246 IN PRESENT FORM, INCLUSION OF PUERTO RICO INTO EAST COAST CONFERENCE

WOULD NOT PROVIDE SOLUTION, SINCE SEA-LAND WOULD EITHER BE BARRED FROM TRANSSHIPPING CARGO ORIGINATING IN GULF PORTS OR WEST COAST AT PUERTO RICO OR WOULD HAVE TO COUNT SUCH CARGO FOR INCLUSION IN EAST COAST POOL. EITHER WAY, SEA-LAND WOULD BE BARRED FROM EQUITABLE PARTICIPATION IN GULF-BRAZIL TRADE.

4. REGARDING CREATION OF BRAZIL-PUERTO RICO/VIRGIN ISLANDS CONFERENCE, BRAZIL-P.R./V.I. CONFERENCE ALREADY EXISTS BUT HAS BEEN CONSIDERED TOO SMALL FOR ESTABLISHMENT OF POOLING ARRANGEMENT. ADJUSTMENT OF THIS CONFERENCE TO INCLUDE ALL CARGO TRANSSHIPPED IN PUERTO RICO, WOULD, IT APPEARS TO US, SEVERELY COMPLICATE COMMERCIAL NEGOTIATIONS. SINCE ONLY SEA-LAND HAS PUERTO RICO TRANSSHIPMENT FACILITIES AND OTHER LINES HAVE ONLY MINISCULE INTEREST (IF ANY) IN BRAZIL-PUERTO RICO TRADE, CREATION OF POOL IN THAT CONFERENCE WITH ROUGHLY EQUAL SHARES OF TRADE WOULD LIMIT SEA-LAND TO INSIGNIFICANT PARTICIPATION IN U.S.-BRAZIL TRADES. ON OTHER HAND, CONTINUATION OF EXISTING OPEN, NON-POOL CONFERENCE BETWEEN BRAZIL AND CONFIDENTIAL

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PUERTO RICO (WHILE TREATING PUERTO RICO TRANSSHIPPED CARGO AS ORIGINATING IN PUERTO RICO) WOULD ENABLE SEA-LAND TO CARRY ALL THE U.S.-BRAZIL CARGO IT COULD GET, WITHOUT ANY POOL LIMITATIONS. SUCH AN ARRANGEMENT WOULD BE HIGHLY DISADVANTAGEOUS TO ALL OTHER LINES IN U.S.-BRAZIL TRADES, AND WE ARE CONFIDENT IT IS NOT WHAT PIRES HAD IN MIND.

5. FINALLY, IT SHOULD BE REMEMBERED THAT CHANGING CONFERENCE AGREEMENTS IS NOT EXACTLY A "U.S. ALTERNATIVE", AS STATED BY PIRES. CONFERENCE AGREEMENTS ARE A MATTER FOR COMMERCIAL NEGOTIATIONS AND CAN BE AMENDED ONLY BY UNANIMOUS AGREEMENT OF ALL MEMBERS, AFTER WHICH AMENDMENTS MUST OF COURSE BE APPROVED BY THE U.S. FEDERAL MARITIME COMMISSION.

6. IN SUM, NEITHER OF ALTERNATIVES SUGGESTED BY PIRES WOULD NEUTRALIZE EFFECTS OF RESOLUTION 5246, WHICH U.S. REGARDS AS UNACCEPTABLE INTRUSION INTO U.S. COMMERCE. IF COSMETIC ARRANGEMENT COULD BE DEvised WHICH WOULD ALLOW BRAZILIANS TO CLING TO LANGUAGE OF RESOLUTION 5246 WITHOUT IN PRACTICAL TERMS AFFECTING FREEDOM OF U.S. LINES

TO TRANSSHIP THROUGH PUERTO RICO, THEN EXISTENCE OF THAT
RESOLUTION WOULD PROBABLY BE OF LITTLE CONCERN TO USG.
HOWEVER, IT APPEARS THAT NEITHER OF DEVICES PIRES SUGGESTS
WOULD ACCOMPLISH THAT. VANCE

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